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REC'D TN
REGULATORY AUTH.

'99 JUL 12 AM 11 54

OFFICE OF THE
EXECUTIVE SECRETARY

July 12, 1999

Mr. K. David Waddell
Executive Secretary
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37243

Dear Mr. Waddell:

Re: Petition of Ben Lomand Communications, Inc.
For Approval of a Loan in the Amount of
\$4,000,000 From CoBank, ACB and to Issue
And Sell up to \$1,000,000 in Common Stock
Of Ben Lomand Communications, Inc.

99-00496

Accompanying this covering letter is an original executed Petition of Ben Lomand Communications, Inc. for Approval of a Loan in the Amount of \$4,000,000 From CoBank, ACB for Capital Additions and to Sell up to \$1,000,000 in Common Stock of Ben Lomand Communications, Inc., dated 9th day of July, 1999, which has been duly executed by Levoy Knowles, Executive Vice President of the Corporation, and by myself as attorney for Ben Lomand Communications, Inc.

In addition to the original executed petition, 13 copies of the original petition are being filed with this letter and the original .

Very truly yours,

James W. Dempster
James W. Dempster

JWD:bw

Enclosures

c: Levoy Knowles, Exec. V.P., BLC
Joe C. Roper, Pres., BLC

Original

BEFORE THE
TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE

REC'D TN
REGULATORY AUTH.

99 JUL 12 AM 11 54

OFFICE OF THE
EXECUTIVE SECRETARY

IN RE:

PETITION OF BEN LOMAND)
COMMUNICATIONS, INC. FOR APPROVAL OF)
A LOAN IN THE AMOUNT OF \$4,000,000 FROM)
COBANK, ACB FOR CAPITAL ADDITIONS)
TO FURNISH LOCAL EXCHANGE)
TELECOMMUNICATIONS SERVICES,)
PRIMARILY TELEPHONE, IN THE CITIES OF)
SPARTA, TENNESSEE, AND MCMINNVILLE,)
TENNESSEE, AND TO ISSUE AND SELL UP)
TO \$1,000,000 IN COMMON STOCK OF BEN)
LOMAND COMMUNICATIONS, INC.)

DOCKET NO. **99-00496**

PETITION REQUESTING AUTHORITY FROM TENNESSEE REGULATORY
AUTHORITY TO BORROW MONEY AND TO ISSUE AND
SELL COMMON STOCK

Ben Lomand Communications, Inc., hereinafter referred to as "BLC", a corporation for profit, organized and existing under the laws of the state of Tennessee, and duly authorized by a grant of a Certificate of Convenience and Necessity from the Tennessee Regulatory Authority to furnish local exchange telecommunication services, primarily telephone services, in the cities of Sparta, Tennessee, and McMinnville, Tennessee, and who was earlier granted a certificate to furnish interstate and intrastate long distance services as a reseller by the Tennessee Public Service Commission, in compliance with the requirements of Tennessee Code Annotated Section 65-4-109 and other applicable laws, statutes, rules and regulations, does respectfully petition and request the Tennessee Regulatory Authority for permission and/or authority to borrow the aggregate sum of \$4,000,000 from CoBank, ACB and to sell common stock of Ben Lomand

Communications, Inc. in a sum or sums up to \$1,000,000 for the purpose of constructing a modern, up-to-date telecommunications network for use by consumers in the said cities of McMinnville, Tennessee, and Sparta, Tennessee. Ben Lomand Communications, Inc. submits the following general information in support of this petition and application with respect to both the borrowing of money and the request for authorization to sell common stock in the amounts above set out:

1. The name and address of the Petitioner is: Ben Lomand Communications, Inc., 1111 Smithville Highway, McMinnville, TN 37110, Telephone (931) 668-1010, Fax Line (931) 668-1013.

2. Ben Lomand Communications, Inc. is a diversified telecommunications company, duly certified to do business in the state of Tennessee by the Authority. It is in good standing with the office of the Secretary of State of the State of Tennessee, the Tennessee Regulatory Authority, and to the best of its knowledge, all other governmental agencies.

3. The name and address of Ben Lomand Communications, Inc.'s counsel to whom all correspondence and inquiries regarding this petition should be directed is:

James W. Dempster
General Counsel
Ben Lomand Communications, Inc.
118 E. Main Street
P.O. Box 332
McMinnville, TN 37111-0332
Telephone: (931) 473-4934
Fax Line: (931) 473-7190

4. Ben Lomand Communications, Inc. has been issued a Certificate of Convenience and Necessity to provide a full array of telecommunications services as set out in its application (Docket No. 98-00600). It is a public utility as defined in Tennessee Code Annotated 65-4-101 and is in the process of completing the engineering and design for a facilities based telecommunications operation in the cities of McMinnville, Tennessee, and Sparta, Tennessee. As a public utility, as to its intrastate operations,

and in some instances its interstate operations, BLC is subject to regulation and oversight/supervision of the Tennessee Regulatory Authority as expressed in TCA 65, Chapter 4 and Federal Communications Commission regulations, and this petition is filed by BLC in compliance with Section 65-4-109 of Tennessee Code Annotated.

I. REQUEST TO BORROW

With respect to Ben Lomand Communications, Inc.'s petition and request to borrow funds in the aggregate amount of \$4,000,000, the Petitioner would respectfully show the Tennessee Regulatory Authority (hereinafter referred to as Authority) as follows:

A. The Petitioner, BLC, based upon its business plan, preliminary engineering, and other documents and exhibits submitted in Docket No. 98-00600, applied for and has received a preliminary commitment for a loan in the aggregate amount of \$4,000,000 from CoBank, ACB. The said preliminary commitment is by letter, overnight mail, from CoBank dated December 16, 1998, addressed to Mr. Levoy Knowles, General Manager, Ben Lomand Communications, Inc., 311 N. Chancery Street, McMinnville, TN 37111, and is signed by Trueanne Leszzak, Loan Services Specialist, a copy of which is attached hereto and designated as Exhibit A.

B. Along with the said commitment letter of December 16, 1998, is a Closing Binder Index for Ben Lomand Communications, Inc., which shows conditions precedent to Loan No. ML0635 and Related Supplement ML0635T1, a copy of which is attached to this petition and designated Exhibit A(1).

C. The principal loan documents, which would include the terms and conditions of the loan, are as follows:

1. Master Loan Agreement - Telephone, Loan No. ML0635, by and between Ben Lomand Communications, Inc. and CoBank, ACB substantially in the form of the agreement designated as Exhibit B to this petition and attached hereto.

2. Revolving Term Loan Supplement, Loan No. ML0635T1, which will be substantially in the form of the document designated as Exhibit C to this petition and attached hereto.

3. A proposed mortgage note substantially in the form of the note headed Promissory Note, Ben Lomand Communications, Inc., McMinnville, Tennessee, No. ML0635T1 in the amount of \$4,000,000 and designated as Exhibit D to this petition and attached hereto.

4. CoBank, ACB Security Agreement substantially in the form of the agreement designated as Exhibit E to this petition and attached hereto.

5. State of Tennessee Uniform Commercial Code - Financing Statement Form UCC-1 Tenn. (Rev. 1/97) and designated as Exhibit F to this petition and attached hereto.

D. None of the Exhibits, B through F inclusive, have been executed and will not be executed until such time as authority is received from the Tennessee Regulatory Authority to borrow a sum up to \$4,000,000 from CoBank, ACB.

E. The payment of the notes as they are issued and executed will be secured by the security agreement and the UCC-1, as hereinabove set out, in the form of Exhibits E and F hereto attached.

F. The Petitioner, Ben Lomand Communications, Inc. would show that the proposed loan of \$4,000,000 from CoBank, ACB was approved by the Board of Directors on March 18, 1999. A copy of the resolution for approval of said loan and a portion of the March 18, 1999, minutes showing adoption of said resolution are attached to this petition and designated as Exhibit G hereto. The resolution was adopted, and though it does not specify in the resolution itself that it would be subject to Tennessee Regulatory Authority approval and that the guarantee which was required from Ben Lomand Rural Telephone Cooperative, Inc. would not be executed until after RUS approval, none of the loan documents have been executed to date, and the guarantee was not executed until after the approval of the Rural Utilities Service.

G. The Petitioner would show the Authority that Ben Lomand Communications, Inc. has been in the business of reselling long distance communication services and has developed a financial and service history in this area. A copy of the latest audit of Ben Lomand Communications, Inc. is attached hereto and made Exhibit H to this petition.

H. Ben Lomand Communications, Inc. has made an extensive effort to determine the feasibility of the construction, operation, and the likelihood of success of a competitive local exchange in the cities of McMinnville, Tennessee, and Sparta, Tennessee, all as shown in its application to be a CLEC, TRA Docket No. 98-00600. Excerpts of the business plan and the estimates of expenses and income over a period of

ten years as made by Cronnin Communications Consultants, Inc. is designated as Exhibit I to this petition.

I. Under the terms and conditions of this loan, each advance is to bear interest at a rate fixed on the date of each such advance and determined in accordance with Section 4 of a proposed Revolving Term Loan Supplement, which Section 4 gives BLC the option of choosing between three choices all as shown by Exhibit C to this petition.

J. BLC proposes to use the proceeds of said loan as set out in Exhibit J to this petition, which is attached hereto. The use of the proceeds of this loan and its various advances have been approved by the Board of Directors of BLC, Inc. The primary purposes for which the proposed financing is to be used are company owned distribution facilities, all as set out in Exhibit J hereto, which facilities are necessary, proper, and in the best interest of BLC and its potential subscribers and the area which it proposes to serve.

K. All of the attached Exhibits A through J if not heretofore incorporated into this petition by reference are here and now incorporated herein by reference and made a part of this petition as fully as if copied into the body thereof.

PREMISES CONSIDERED, THE PETITIONER, BLC, RESPECTFULLY REQUESTS THAT AN ORDER ISSUE AUTHORIZING THAT:

1. Ben Lomand Communications, Inc. (BLC) borrow the aggregate sum of \$4,000,000 from CoBank, ACB according to the terms and conditions and for the purposes set out in this petition and exhibits hereto and for authority for the officers of BLC on behalf of BLC, Inc. to execute such loan agreements, notes, and other instruments as may be required by the said lender, all pursuant to Tennessee Code Annotated Section 65-4-109.
2. The Petitioner, Ben Lomand Communications, Inc. (BLC), be granted such other, further, and general relief as it might be entitled to under

the premises with such other limitations as the Authority might deem judicious.

II. REQUEST TO SELL STOCK

With respect to Ben Lomand Communications, Inc.'s petition and request to sell stock in a number of shares that will raise an additional \$1,000,000 for capital improvements, the Petitioner would respectfully show the Tennessee Regulatory Authority (hereinafter referred to as the "Authority") as follows:

1. As set out in Exhibit J to this petition and referred to in section I., paragraph J. of this petition, the total estimated cost of the construction of plant in place plus the estimated engineering costs based upon a study by Cronnin Communications Consultants, Inc. and Ladd Engineering, giving full consideration to engineering estimates on cost of buildout, anticipated growth, new types of services, inflation, and other factors, has been estimated to be \$5,039,749. Originally costs were estimated much lower as they were estimated on only a 35% penetration which was the same penetration level used for estimating revenue.

2. It is the purpose and intent of Ben Lomand Communications, Inc. and its board of directors and management to keep as much as possible separate the resale operation of the company from the local exchange operation of the company and to keep as much as possible the equities of the two divisions of the company separate in that requirements of Tennessee Regulatory Authority and the FCC along with state and federal laws for all practical purposes require such a division.

3. Though no official action has been taken, at several regular meetings of the Board of Directors of BLC, there was discussion of the need for additional capital for the CLEC operation of BLC, and management has suggested in those meetings the issuance and sale of additional stock for operating capital as well as meeting the materials, labor, engineering, etc. costs for the construction of facilities based plant. This fact has also been brought to the attention of the board of directors of Ben Lomand Rural

Telephone Cooperative, Inc. that additional funds might be needed; and Ben Lomand Rural Telephone Cooperative, Inc. is the sole stockholder and will be the purchaser of additional stock.

4. BLC, therefore, is requesting permission from the Tennessee Regulatory Authority allowing it to sell up to \$1,000,000 of additional stock to be used for the purposes of (1) payment for materials and labor for the construction of its local telephone exchange facilities, and (2) to pay operational costs, employees' salaries, miscellaneous expenses, rentals, and the like prior to cutover for day-to-day operations of the competitive local exchange carrier functions of BLC.

5. As heretofore set out, no official action has been taken with regard to the issuance of additional stock, however, it is the current plan of the officers and management to have the Board of Directors of BLC consider and take action on a resolution to authorize the sale of up to \$1,000,000 in stock of BLC subject to the approval of the Tennessee Regulatory Authority and such other governmental agency as may, by law, be required or expedient. The next regular meeting of the Board of Directors of Ben Lomand Communications, Inc. will be held at 6 p.m. on Thursday, July 15, 1999, and if adopted, the resolution will be filed with the Tennessee Regulatory Authority as a supplement to this petition.

6. Petitioner would show that the next meeting of the board of directors of Ben Lomand Rural Telephone Cooperative, Inc. will be held at the office of the Cooperative in McMinnville, Tennessee, on July 15, 1999, and at that time a resolution will be submitted for consideration by the board of directors of Ben Lomand Rural Telephone Cooperative, Inc. authorizing the officers of that corporation to subscribe for the purchase of up to \$1,000,000 in stock of BLC and for the officers to execute such documents as may be necessary or expedient in the purchase of said stock.

PREMISES CONSIDERED, THIS PETITIONER, BLC, PRAYS THAT:

1. Authority be granted BLC by the Tennessee Regulatory Authority to issue and sell up to \$1,000,000 in stock to be used as set out in this request.
2. The Authority issue an appropriate order approving Petitioner's proposal and authorizing the implementation with regard to the sale of stock.
3. The Petitioner have such further and other relief as the Authority may deem proper in the circumstances.

III. GENERAL STATEMENT

Petitioner avers that the terms, conditions, and provisions of said CoBank, ACB Loan No. ML0635 and Revolving Term Loan Supplement - Loan No. ML0635T1 comply with all applicable laws.

In addition to funds required for construction, etc., funds will be required to acquire non-voting participating certificates in CoBank, ACB and to pay origination fee and initial capital investment fee at closing in amounts set out in Exhibits A, A(1), and B and possibly other exhibits to this petition, plus administration, legal, and precutover operation costs mentioned under heading II. above.

WHEREFORE, THE PETITIONER MOVES AND PRAYS:

1. That orders issue granting the prayers set out for I. Request to Approve Loan and for II. Request to Sell Stock and approving Petitioner's full proposals and authorizing the implementation thereof.
2. Grant general relief.

DATED: This 9th day of July, 1999.

Respectfully submitted,

BEN LOMAND COMMUNICATIONS, Inc.

By: Levoy Knowles
Levoy Knowles, Exec. Vice President
1111 Smithville Hwy.
McMinnville, TN 37110

James W. Dempster
James W. Dempster
Attorney for Ben Lomand Communications,
Inc.
P.O. Box 332
McMinnville, TN 37111-0332
Phone: (931) 473-4934
Fax: (931) 473-7190

STATE OF TENNESSEE

COUNTY OF WARREN

LEVOY KNOWLES makes oath that he is the Executive Vice President of Ben Lomand Communications, Inc. and has read the foregoing petition, the contents thereof, and the exhibits thereto attached, and the statements and allegations made therein are true to the best of his knowledge, information, and belief.

Levoy Knowles
Levoy Knowles

Sworn to and subscribed before me,

on this the 9th day of July, 1999.

Clara P. Byars
Notary Public
My Commission Expires: April 29, 2003
(SEAL)



Via Overnight Mail

P.O. Box 5110
Denver, Colorado 80217
5500 South Quebec Street
Englewood, Colorado 80111
Phone: (303) 740-4000
Fax: (303) 740-4002

December 16, 1998

Mr. Levoy Knowles, General Manager
Ben Lomand Communications, Inc.
311 North Chancery Street
McMinnville, TN 37111

Dear Mr. Knowles:

CoBank is pleased to provide final loan documents pertaining to your Master Loan Agreement and related Supplement. In order to provide a quick and efficient closing, the closing index lists all items required for this transaction, the party responsible for each item, and the dates of any items previously received. Please have an authorized officer of Ben Lomand Communications, Inc. review the enclosed closing index, the enclosed documents and complete each required item as indicated on the closing index.

- The original executed CoBank Application Package will need to be returned to CoBank.
- Submit to CoBank any regulatory consents, operating permit, authorizations, and/or approvals, including, but not limited to the FCC and the Tennessee Public Service Commission.
- A certificate of general insurance will need to be submitted to CoBank, to include CoBank as the loss payee and for the following coverages and limits: (1) general liability in a minimum aggregate amount of \$1,000,000; (2) auto liability in an amount equal to the lesser of the replacement value of the vehicles or the CoBank loan balance; and (3) worker's compensation insurance in a minimum of \$500,000 per incident and \$1,000,000 aggregate.
- Submit a check in the amount of \$21,000 payable to CoBank, Department 167 for the following fees due at closing: (1) a loan origination fee in the amount of \$20,000; and (2) an initial capital investment fee in the amount of \$1,000.
- The UCC-1 executed by CoBank (with the attached Exhibit A) will need to be recorded in the Tennessee Secretary of State's office after execution by an authorized officer of Ben Lomand Communications, Inc. Return recordation evidence to CoBank.

Upon completion and execution of the loan documents by an authorized officer of Ben Lomand Communications, Inc., and completion of all other required loan related actions, please return the originals marked "Copy to be Returned to CoBank" to the attention of Trueanne Leszzak at 5500 South Quebec Street, Englewood, CO 80111, and also return to CoBank any other required loan related items. The originals marked "Copy to be Kept by Company" should be retained for your

CoBANK, ACB

CLOSING BINDER INDEX

For

BEN LOMAND COMMUNICATIONS, INC.
McMinnville, Tennessee

Master Loan Agreement No. ML0635
and Related Supplement ML0635T1
in the amount of \$4,000,000.00

Parties:

CoBank, ACB ("CoBank")

Ben Lomand Communications, Inc. ("BLCI")

Ben Lomand Rural Telephone Cooperative, Inc. ("BLRTCP")

Preliminary Items:

Tab No.	Description of Items Required	Responsible Party	Date Received
1	CoBank Application Package to include the following: <ul style="list-style-type: none">♦ Application for Credit♦ Resolution of the Board♦ Incumbency Certificate♦ Bylaw Certification form and copy of all original Bylaws, and any amendments thereto.♦ Delegation and Wire Transfer Authorization Form	BLCI	
2	Certified Articles of Incorporation for Ben Lomand Communications, Inc. certified from the Tennessee Secretary of State's office dated within three months of the closing date.	BLCI	11/30/98
3	Certificate of Good Standing for Ben Lomand Communications, Inc. certified from the Tennessee Secretary of State's office dated within three months of the closing date.	BLCI	11/30/98

Conditions Precedent to Loan No. ML0635:

4	Original Master Loan Agreement ("MLA") Loan No. ML0635 dated _____, 19____, and duly executed by an authorized officer of BLCI.	BLCI	
5	Evidence of all regulatory consents, operating permit, authorizations, and approvals, including, but not limited to: <ul style="list-style-type: none">♦ Federal Communications Commission (the "FCC")♦ Tennessee Public Service Commission ("TPSC")♦ If none required, please indicate none here _____.	BLCI	
6	Evidence of general insurance coverage for BLCI to include CoBank, ACB as loss payee on the policy and in minimum coverage limits acceptable to CoBank.	BLCI	

Conditions Precedent to Loan No. ML0635T1

7	Original Revolving Term Loan Supplement No. ML0635T1 in the amount of \$4,000,000, dated _____, 19____, and duly executed by an authorized officer of BLCI.	BLCI	
8	Original Promissory Note No. ML0635T1 in the amount of \$4,000,000, dated _____, 19____, and duly executed by an authorized officer of BLCI.	BLCI	
9	Fees: ♦ Origination fee in the amount of \$20,000 due at closing. ♦ Initial Capital Investment in the amount of \$1,000 due at closing.	BLCI	
10	Security, including but not limited to the following:		
	♦ Security Agreement duly executed by an authorized officer of BLCI.	BLCI	
	♦ Evidence of perfection and priority of liens to include: • Tennessee Secretary of State's office (UCC-1 with "Exhibit A" as a one page attachment).	BLCI	
11	Opinion of Counsel, in form and content acceptable to CoBank, (use sample form provided).	Counsel of BLCI	
12	Continuing Guarantee of Payment duly executed by an authorized officer of BLRTCI to include the following: ♦ Guarantee Agreement duly executed by an authorized officer of BLRTCI and dated _____, 19____. ♦ Resolution of the Board of Directors of BLRTCI authorizing the execution of the guarantee and related security items. ♦ Incumbency Certificate ♦ Articles of Incorporation certified from the Tennessee Secretary of State or of which state of incorporation, and dated within three months of the closing date. ♦ Certificate of Good Standing certified from the Tennessee Secretary of State or of which state of incorporation, and dated within three months of the closing date. ♦ Opinion of Counsel for the Guarantor in form and content acceptable to CoBank (use sample form provided).	BLRTCI BLRTCI BLRTCI CoBank CoBank Counsel of BLRTCI	 12/14/98 12/14/98
13	Pre-Closing UCC Search with the Tennessee Secretary of State's Office for BLCI.	CoBank	

Items Required Post-Closing:

14	Post Closing UCC search with Tennessee of Secretary of State's office for BLCI.	CoBank	
15	Misc. CoBank Internal Items.	CoBank	-----

Loan No. ML0635

MASTER LOAN AGREEMENT - TELEPHONE

THIS MASTER LOAN AGREEMENT (this "Agreement") is entered into as of _____, 19____, between BEN LOMAND COMMUNICATIONS, INC. (the "Company") and CoBANK, ACB ("CoBank").

BACKGROUND

From time to time, the Company may borrow from CoBank. In order to reduce the amount of paperwork associated therewith, CoBank and the Company would like to enter into a master loan agreement. Such is the purpose of this Agreement.

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Company and CoBank agree as follows:

SECTION 1. Supplements. In the event the Company desires to borrow from CoBank and CoBank is willing to lend to the Company, or in the event the parties desire to consolidate any existing loans hereunder, the parties will enter into a supplement to this Agreement (a "Supplement"). Each Supplement will set forth CoBank's commitment to make a loan or loans to the Company, the amount of the loan(s), the purpose of the loan(s), the interest rate or rate options applicable to the loan(s), the repayment terms of the loan(s), and any other terms and conditions applicable to the particular loan(s). Each loan will be governed by the terms and conditions contained in this Agreement and in the Supplement relating to that loan.

SECTION 2. Notice and Manner of Borrowing. Loans will be made available on any day on which CoBank and the Federal Reserve Banks are open for business (a "Business Day") upon the telephonic or written request of an authorized employee of the Company. Requests for loans must be received by 12:00 Noon Company's local time on the date the loan is desired. Loans will be made available by wire transfer of immediately available funds. Wire transfers will be made to such account or accounts as may be authorized by the Company.

SECTION 3. Notes and Payments. The Company's obligation to repay the loan(s) made under a Supplement shall be evidenced by a promissory note in form and content acceptable to CoBank (a "Note"). Payments shall be made by wire transfer of immediately available funds or by check. Wire transfers shall be made to ABA No. 307088754 for advice to and credit of "CoBANK" (or to such other account as CoBank may direct by notice). The Company shall give CoBank telephonic notice no later than 12:00 noon Company's local time of its intent to pay by wire, and funds received after 3:00 p.m. Company's local time shall be credited on the next Business Day. Checks shall be mailed to CoBANK, Department 167, Denver, Colorado 80291-0167 (or to such other place as CoBank may direct by notice). Credit for payment by check will not be given until the latter of the next Business Day after receipt of the check or the day on which CoBank receives immediately available funds.

SECTION 4. Security. The Company's obligations under this Agreement, the Supplements, and the Notes shall be secured by a statutory first lien on all equity which the Company may now own or hereafter acquire or be allocated in CoBank. In addition, the Company's obligations under a Supplement,

the Note executed in connection therewith, and, to the extent related thereto, this Agreement, shall be secured to the extent (if any) provided in the Supplement.

SECTION 5. Conditions Precedent.

(A) **Conditions to Initial Supplement.** CoBank's obligation to extend credit under the initial Supplement hereto is subject to the condition precedent that CoBank receive, in form and substance satisfactory to CoBank, each of the following:

(1) **This Agreement.** A duly executed original copy of this Agreement and all instruments and documents contemplated hereby.

(2) **Delegation Form.** A duly completed and executed original copy of a CoBank Delegation and Wire Transfer Authorization Form.

(3) **Guarantee and Related Documents.** (1) A guarantee of payment from Ben Lomand Rural Telephone Cooperative, Inc. ("BLRTCI"); (2) such certified board resolutions, evidence of incumbency; and (3) an opinion of counsel to the guarantor (which counsel must be acceptable to CoBank), and other evidence as CoBank may require that the guarantee and all instruments and documents executed in connection therewith have been duly authorized and executed.

(B) **Conditions to Each Supplement.** CoBank's obligations to extend credit under each Supplement hereto, including the initial Supplement, is subject to the condition precedent that CoBank receive, in form and substance satisfactory to CoBank, each of the following:

(1) **Supplement.** A duly executed original copy of the Supplement, the Note relating thereto, and all instruments and documents contemplated by the Supplement.

(2) **Evidence of Authority.** Such certified board resolutions, evidence of incumbency, and other evidence that CoBank may require that the Supplement, all instruments and documents executed in connection therewith, and, in the case of the initial Supplement hereto, this Agreement and all instruments and documents executed in connection herewith, have been duly authorized and executed.

(3) **Consents and Approvals.** Such evidence as CoBank may require that all regulatory and other consents and approvals referred to in Section 6(D) hereof have been obtained and are in full force and effect.

(4) **Fees and Other Charges.** Any fees or other charges provided for herein or in the Supplement.

(5) **Insurance.** Such evidence as CoBank may require that the Company is in compliance with Section 7(C) hereof.

(6) **Security.** In the event the Supplement provides for security, such evidence as CoBank shall require that all steps required by CoBank to enable CoBank to obtain and perfect its lien on the security have been taken and that such lien has the priority contemplated by the Supplement.

(7) **Opinion of Counsel.** An opinion of counsel to the Company (which counsel must be acceptable to CoBank).

(C) **Conditions to Each Loan.** CoBank's obligation under each Supplement to make any loan to the Company thereunder is subject to the condition that no "Event of Default" (as defined in Section 10 hereof) or event which, with the giving of notice and/or the passage of time and/or the occurrence of any other condition, would ripen into an Event of Default (a "Potential Default") shall have occurred and be continuing.

SECTION 6. Representations and Warranties. The execution by the Company of each Supplement hereto shall constitute a representation and warranty that:

(A) **Application.** Each representation and warranty and all information set forth in any application or other document submitted in connection with, or to induce CoBank to enter into, such Supplement is correct in all material respects as of the date of the Supplement.

(B) **Budgets.** All budgets, projections, feasibility studies, and other documentation submitted by the Company to CoBank in connection with, or to induce CoBank to enter into, such Supplement are based upon assumptions that are reasonable and realistic, and as of the date of such Supplement, no fact has come to light, and no event has occurred, which would cause any assumption made therein to not be reasonable or realistic.

(C) **Conflicting Agreements.** Neither this Agreement nor any Supplement, Note, or other instrument or document securing or otherwise relating hereto or to any Supplement (collectively, at any time, the "Loan Documents") conflicts with, or constitutes (with or without the giving of notice and/or the passage of time and/or the occurrence of any other condition) a default under, any other agreement to which the Company is a party or by which it or any of its property may be bound or affected, and does not conflict with any provision of its bylaws, articles of incorporation or other organizational documents.

(D) **Consents and Approvals.** No consent, permission, authorization, order or license of any governmental authority or of any party to any agreement to which the Company is a party or by which it or any of its property may be bound or affected, is necessary in connection with the project, acquisition or other activity being financed by such Supplement, the execution, delivery, performance or enforcement of the Loan Documents, except as have been obtained and are in full force and effect.

(E) **Compliance.** The Company is in compliance with all of the terms of the Loan Documents and no Event of Default or Potential Default exists.

(F) **Binding Agreement.** The Loan Documents create legal, valid, and binding obligations of the Company which are enforceable in accordance with their terms, except to the extent that enforcement may be limited by applicable bankruptcy, insolvency or similar laws affecting creditors' rights generally.

SECTION 7. Affirmative Covenants. Unless otherwise agreed to in writing by CoBank, while this Agreement is in effect, the Company agrees to:

(A) **Corporate Existence, Etc.** Preserve and keep in full force and effect its existence and good standing in the jurisdiction of its incorporation or formation, qualify and remain qualified to transact business in all jurisdictions where such qualification is required, and obtain and maintain all licenses,

certificates, permits, authorizations, approvals, and the like which are material to the conduct of its business or required by law, rule, regulation, code, ordinance, order or the like (collectively, "Laws").

(B) **Compliance With Laws.** Comply in all material respects with all applicable Laws, including, without limitation, all Laws relating to environmental protection. In addition, the Company agrees to cause all persons occupying or present on any of its properties to comply in all material respects with all Laws relating to such properties.

(C) **Insurance.** Maintain insurance with insurance companies or associations acceptable to CoBank in such amounts and covering such risks as are usually carried by companies engaged in the same business and similarly situated, and make such increases in the type or amount of coverage as CoBank may reasonably request. All such policies insuring any collateral for the Company's obligations to CoBank shall have lender or mortgagee loss payable clauses or endorsements in form and content acceptable to CoBank. At CoBank's request, the Company agrees to deliver to CoBank such proof of compliance with this Subsection as CoBank may require.

(D) **Property Maintenance.** Maintain all of its property that is necessary to or useful in the proper conduct of its business in good repair, working order, and condition, ordinary wear and tear excepted, and make all alterations, replacements, and improvements thereto as may from time to time be necessary in order to ensure that its properties remain in good working order and condition. The Company agrees that at CoBank's request, which request may not be made more than once a year, the Company will furnish to CoBank a report on the condition of the Company's property prepared by a professional engineer satisfactory to CoBank.

(E) **Books and Records.** Keep adequate records and books of account in which complete entries will be made in accordance with generally accepted accounting principles ("GAAP") consistently applied.

(F) **Inspection.** Permit CoBank or its agents, upon reasonable notice and during normal business hours or at such other times as the parties may agree, to examine its properties, books and records, and to discuss its affairs, finances and accounts with its officers, directors, employees, and independent certified public accountants.

(G) **Reports and Notices.** Furnish to CoBank:

(1) **Annual Financial Statements.** As soon as available, but in no event more than 120 days after the end of each fiscal year of the Company occurring during the term hereof, annual financial statements of the Company prepared in accordance with GAAP consistently applied. Such financial statements shall: (a) be audited by independent certified public accountants selected by the Company and acceptable to CoBank; (b) be accompanied by a report of such accountants containing an opinion thereon acceptable to CoBank; (c) be prepared in reasonable detail and in comparative form; and (d) include a balance sheet, a statement of income, a statement of retained earnings, a statement of cash flows, and all notes and schedules relating thereto.

(2) **Interim Financial Statements.** As soon as available, but in no event more than 60 days after the end of the first three fiscal quarters of the Company, a balance sheet of the Company as of the end of such quarter, a statement of income for the Company for such period and for the period year-

to-date, and such other interim statements as CoBank may specifically request, all prepared in reasonable detail and in comparative form in accordance with GAAP consistently applied.

(3) **Notice of Default.** Promptly after becoming aware thereof, notice of the occurrence of an Event of Default or a Potential Default, including, without limitation, the occurrence of any breach, default, event of default or event which, with the giving of notice and/or the passage of time and/or the occurrence of any other condition, would become a breach, default or event of default under any loan agreement, indenture, mortgage, or other credit or security agreement or instrument to which the Company is a party or by which it or any of its property may be bound or affected.

(4) **Notice of Litigation, Environmental Matters, Etc.** Promptly after becoming aware thereof, notice of: (a) the commencement of any action, suit or proceeding before any court, arbitrator or governmental instrumentality which, if adversely decided, could have a material adverse effect on the condition, financial or otherwise, operations, properties, or business of the Company; (b) the receipt of any notice, indictment, pleading or other communication alleging a condition that may require the Company to undertake or to contribute to a clean-up or other response under any environmental Law, or which seeks penalties, damages, injunctive relief, criminal sanctions or other relief as a result of an alleged violation of any such Law, or which claims personal injury or property damage as a result of environmental factors or conditions; and (c) any matter which could have a material adverse effect on the Company, including any decision of any regulatory authority or commission.

(5) **Notice of Certain Events.** Notice of each of the following at least 30 days prior thereto: (a) any change in the Company's name or corporate structure; and (b) any change in the principal place of business of the Company or the office where its records concerning its accounts are kept.

(6) **Financial Covenant Certificate.** Together with the financial statements referred to in Subsection 1 hereof, a certificate of an officer or employee of the Company acceptable to CoBank computing the financial covenants set forth in Section 9 hereof.

(7) **Other Information.** Such other information regarding the condition or operations, financial or otherwise, of the Company as CoBank may from time to time reasonably request, including, but not limited to, copies of all pleadings, notices and communications referred to in Subsection (G)(4) above.

(H) **Capital.** Acquire non-voting participation certificates in CoBank in such amounts and at such times as CoBank may from time to time require in accordance with its Bylaws and Capital Plan (as each may be amended from time to time), except that the maximum amount of non-voting participation certificates that the Company may be required to purchase in connection with a loan may not exceed the maximum amount permitted by the Bylaws at the time the Supplement relating to such loan is entered into or such loan is renewed or refinanced by CoBank. The rights and obligations of the parties with respect to such non-voting participation certificates and any patronage or other distributions made by CoBank shall be governed by CoBank's Bylaws.

SECTION 8. Negative Covenants. Unless otherwise agreed to in writing by CoBank, while this agreement is in effect the Company will not:

(A) **Borrowings.** Create, incur, assume, or allow to exist, directly or indirectly, any indebtedness or liability for borrowed money, letters of credit, or the deferred purchase price of property

or services (including leases which should be capitalized on the books of the lessee in accordance with GAAP), except for: (1) debt to CoBank; (2) accounts payable to trade creditors incurred in the ordinary course of business; and (3) current operating liabilities (other than for borrowed money) incurred in the ordinary course of business.

(B) **Liens.** Create, incur, assume, or allow to exist any mortgage, deed of trust, pledge, lien (including the lien of an attachment, judgment, or execution), security interest, or other encumbrance of any kind upon any of its property, real or personal (collectively, "Liens"). The foregoing restrictions shall not apply to: (1) Liens in favor of CoBank; (2) Liens for taxes, assessments, or governmental charges that are not past due; (3) Pledges and deposits under workers' compensation, unemployment insurance, and social security Laws; (4) Pledges and deposits to secure the performance of bids, tenders, contracts (other than contracts for the payment of money), and like obligations arising in the ordinary course of business as conducted on the date hereof; (5) Liens imposed by Law in favor of mechanics, material suppliers, warehouses, and like persons that secure obligations that are not past due; and (6) easements, rights-of-way, restrictions, and other similar encumbrances which, in the aggregate, do not materially interfere with the occupation, use, and enjoyment of the property or assets encumbered thereby in the normal course of its business or materially impair the value of the property subject thereto.

(C) **Mergers, Acquisitions, Etc.** Merge or consolidate with any other entity or acquire all or a material part of the assets of any person or entity, or commence operations under any other name, organization, or entity, including any joint venture.

(D) **Transfer of Assets.** Sell, transfer, lease, or otherwise dispose of any of its assets, except in the ordinary course of business.

(E) **Loans and Investments.** Make any loan or advance to, or make any investment in, or make any capital contribution to, or purchase or make any commitment to purchase any stock, bonds, notes, or other securities of, any person or entity, except for: (1) securities or deposits issued, guaranteed or fully insured as to payment by the United States of America or any agency thereof; and (2) equity in, or obligations of, CoBank.

(F) **Contingent Liabilities.** Assume, guarantee, become liable as a surety, endorse, contingently agree to purchase, or otherwise be or become liable, directly or indirectly (including, but not limited to, by means of a maintenance agreement, an asset or stock purchase agreement, or any other agreement designed to ensure any creditor against loss), for or on account of the obligation of any person or entity, except by the endorsement of negotiable instruments for deposit or collection or similar transactions in the ordinary course of the Company's business.

(G) **Change in Business.** Engage in any business activities or operations substantially different from or unrelated to the Company's present business activities or operations.

(H) **Dividends.** Declare or pay any dividends or make any other distribution of assets to shareholders of the Company, or retire, redeem, purchase or otherwise acquire for value any capital stock of the Company.

(I) **Transactions with Affiliates.** Enter into any transaction with any affiliate except in the ordinary course of and pursuant to the reasonable requirements of its business and upon fair and

reasonable terms no less favorable to it than would obtain in a comparable arm's-length transaction with a person or entity that was not an affiliate.

SECTION 9. Financial Covenants.

(A) **Equity to Total Assets.** The Company will have at the end of each fiscal quarter of the Company beginning, December 31, 2000, a ratio of total equity to total assets (both as determined in accordance with GAAP consistently applied) of not less than .30 to 1.0.

(B) **Debt to Operating Cash Flow.** The Company will have at the end of each fiscal quarter of the Company, beginning December 31, 2000, a "Debt to Operating Cash Flow Ratio" (as defined below) of not greater than 3.50. For purposes hereof, a "Debt to Operating Cash Flow Ratio" shall mean a ratio of total debt as of the end of the fiscal quarter to the sum of net income, interest expense, depreciation expense, amortization expense and income tax expense for the most recently completed four fiscal quarters (all as calculated in accordance with GAAP consistently applied).

(C) **Debt Service Coverage Ratio.** The Company will have at the end of each fiscal quarter of the Company, beginning December 31, 2000, of the Company, a "Debt Service Coverage Ratio" (as defined below) for of not less than 1.50 to 1. For purposes hereof, the term "Debt Service Coverage Ratio" shall mean the ratio of: (1) net income (after taxes), plus depreciation expense, amortization expense, and interest expense for the most recently completed four fiscal quarters; to (2) all principal payments due on all long term debt (including all leases which should be capitalized in accordance with GAAP) plus interest expense (all as calculated for the applicable period in accordance with GAAP consistently applied) for the most recently completed four fiscal quarters.

SECTION 10. Events of Default. Each of the following shall constitute an "Event of Default" hereunder:

(A) **Payment Default.** The Company should fail to make any payment to CoBank when due.

(B) **Representations and Warranties.** Any opinion, certificate or like document furnished to CoBank by or on behalf of the Company, or any representation or warranty made by the Company herein, in any security instrument or document, or in any other Loan Document, shall prove to have been false or misleading in any material respect on or as of the date furnished or made.

(C) **Covenants.** The Company should fail to perform or comply with any covenant set forth in Section 7 hereof (other than Sections 7(G)(3), (4), and (5) hereof) and such failure continues for 30 days after written notice thereof shall have been delivered to the Company by CoBank.

(D) **Other Covenants and Agreements.** The Company should fail to perform or comply with Sections 7(G)(3), (4), or (5) hereof or any other covenant or agreement contained herein or in a Supplement or shall use the proceeds of any loan for any unauthorized purpose.

(E) **Cross Default.** The Company should, after any applicable grace period, breach or be in default under the terms of any other Loan Document (including, without limitation, any security instrument or document) or any other agreement between the Company and CoBank.

(F) **Other Indebtedness.** The Company's obligation to pay any indebtedness for borrowed money or any long-term obligation for the deferred purchase price of property or services shall be accelerated or declared due and payable prior to its scheduled due date as a result of the occurrence of any breach or default under any agreement relating to such indebtedness or obligation. Notwithstanding the foregoing or any other provision hereof, the Company agrees that upon the occurrence and during the continuance of any event giving rise to the right to accelerate such indebtedness or obligation (whether or not such right is conditioned upon the giving of notice and/or the passage of time and/or the occurrence of any other condition), a Potential Default shall be deemed to have occurred and be continuing hereunder.

(G) **Judgments.** A judgment, decree, or order for the payment of money shall have been rendered against the Company and either: (1) enforcement proceedings shall have been commenced; (2) a lien prohibited by this Agreement, any security instrument or document, or any other Loan Document, shall have been obtained; or (3) such judgment, decree, or order shall continue unsatisfied and in effect for a period of 30 consecutive days without being vacated, discharged, satisfied, or stayed pending appeal.

(H) **Insolvency, Etc.** The Company shall: (1) become insolvent or shall generally not, or shall be unable to, or shall admit in writing its inability to, pay its debts as they become due; or (2) suspend its business operations or a material part thereof or make an assignment for the benefit of creditors; or (3) apply for, consent to, or acquiesce in the appointment of a trustee, receiver, or other custodian for it or any of its property; or (4) have commenced against it any action or proceeding for the appointment of a trustee, receiver, or other custodian and such action or proceeding is not dismissed within 30 days of the date thereof, or a trustee, receiver, or other custodian is appointed for all or any part of its property; or (5) receive notice from any regulatory or governmental authority to the effect that such authority intends to replace the management of the Company or assume control over the Company; or (6) commence or have commenced against it any proceeding under any bankruptcy, reorganization, arrangement, readjustment of debt, dissolution, or liquidation law of any jurisdiction.

(I) **Material Adverse Change.** Any material adverse change occurs, as reasonably determined by CoBank, in the condition, financial or otherwise, operations, business, or properties of the Company or in its ability to perform its obligations hereunder, under any security instrument or document, or under any other Loan Document.

(J) **Change of Ownership.** BLRTCI should at any time fail to own 100% of the equity in the Company.

(K) **Guarantees, Etc.** Any guarantee, suretyship, subordination agreement, maintenance agreement, or other agreement furnished in connection with the Company's obligations hereunder and under any Supplement shall, at any time, cease to be in full force and effect, or shall be revoked or declared null and void, or the validity or enforceability thereof shall be contested by the guarantor, surety or other maker thereof (the "Guarantor"), or the Guarantor shall deny any further liability or obligation thereunder, or shall fail to perform its obligations thereunder, or any representation or warranty set forth therein shall be breached, or the Guarantor shall breach or be in default under the terms of any other agreement with CoBank (including any loan agreement or security agreement), or a default set forth in Subsections (F) through (K) hereof shall occur with respect to the Guarantor or the Guarantor shall die or be determined to be legally incompetent.

SECTION 11. Remedies. Upon the occurrence and during the continuance of an Event of Default or Potential Default, CoBank shall have no obligation to extend or continue to extend credit to the

Company and may discontinue doing so at any time without prior notice or other limitation. In addition, upon the occurrence and during the continuance of any Event of Default, CoBank may, upon notice to the Company:

(A) **Termination and Acceleration.** Terminate any commitment and declare the unpaid principal balance of the loans, all accrued interest thereon, and all other amounts payable under this Agreement, the Notes, and all other Loan Documents to be immediately due and payable. Upon such a declaration, the unpaid principal balance of the loans and all such other amounts shall become immediately due and payable, without protest, presentment, demand, or further notice of any kind, all of which are hereby expressly waived by the Company.

(B) **Enforcement.** Proceed to protect, exercise, and enforce such rights and remedies as may be provided by this Agreement, any security instrument or document, any other Loan Document, or under Law. Each and every one of such rights and remedies shall be cumulative and may be exercised from time to time, and no failure on the part of CoBank to exercise, and no delay in exercising, any right or remedy shall operate as a waiver thereof, and no single or partial exercise of any right or remedy shall preclude any future or other exercise thereof, or the exercise of any other right. Without limiting the foregoing, CoBank may hold and/or set off and apply against the Company's obligations to CoBank the proceeds of any equity in CoBank, any cash collateral held by CoBank, or any balances held by CoBank for the Company's account (whether or not such balances are then due).

(C) **Application of Funds.** CoBank may apply all payments received by it to the Company's obligations to CoBank in such order and manner as CoBank may elect in its sole discretion.

In addition to the rights and remedies set forth above and notwithstanding any Supplement: (i) if prior to the maturity of any loan the Company fails to make any payment to CoBank when due, then at CoBank's option in each instance, such payment shall bear interest from the date due to the date paid at 4% per annum above the rate of interest established by CoBank from time to time during that period as its National Variable Rate; and (ii) after the maturity of any loan (whether as a result of acceleration or otherwise), the unpaid principal balance of such loan shall automatically bear interest at 4% per annum in excess of the rate(s) that would otherwise be in effect on that loan under the terms of the Supplement. All interest provided for herein shall be payable on demand and shall be calculated on the basis of a year consisting of 360 days.

SECTION 12. Miscellaneous.

(A) **Broken Funding Surcharge.** Notwithstanding the terms of any Supplement, the Company agrees to pay to CoBank a broken funding surcharge in the amount set forth below in the event the Company: (1) repays any fixed rate balance prior to the last day of its fixed rate period (whether such payment is made voluntarily, as a result of an acceleration, or otherwise); (2) converts any fixed rate balance to another fixed rate or to a variable rate prior to the last day of the fixed rate period applicable to such balance; or (3) fails to borrow any fixed rate balance on the date scheduled therefor. The surcharge shall be in an amount equal to the sum of: (a) the present value of any funding losses imputed by CoBank to have been incurred as a result of such payment, conversion or failure; plus (b) a fee in an amount equal to 1/2 of 1% of the amount repaid, converted or not borrowed. Such surcharge shall be determined and calculated in accordance with methodology established by CoBank, a copy of which will be made available upon request. Notwithstanding the foregoing, in the event of a conflict between the provisions

of this subsection and of the broken funding charge section of a forward fix agreement between CoBank and the Company, the provisions of the forward fix agreement shall control.

(B) **Complete Agreement, Amendments, Etc.** The Loan Documents are intended by the parties to be a complete and final expression of their agreement. No amendment, modification, or waiver of any provision of this Agreement or the other Loan Documents, and no consent to any departure by the Company herefrom or therefrom, shall be effective unless approved by CoBank and contained in a writing signed by or on behalf of CoBank, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given. In the event this Agreement is amended or restated, each such amendment or restatement shall be applicable to all Supplements hereto. Each Supplement shall be deemed to incorporate all of the terms and conditions of this Agreement as if fully set forth therein. Without limiting the foregoing, any capitalized term utilized in any Supplement (or in any amendment to this Agreement or Supplement) and not otherwise defined in the Supplement (or amendment) shall have the meaning set forth herein.

(C) **Applicable Law.** Except to the extent governed by federal Law, this Agreement, each Supplement and the Notes shall be governed by the Laws of the State of Colorado, without reference to choice of law doctrine.

(D) **Notices.** All notices hereunder shall be in writing and shall be deemed to have been duly given upon delivery if personally delivered or sent by facsimile or similar transmission, or three (3) days after mailing if sent by express, certified or registered mail, to the parties at the following addresses (or such other address as either party may specify by like notice):

If to CoBank, as follows:
CoBank, ACB
101 Bullitt Lane, Suite 304
Louisville, KY 40222-5495
ATTN: Rural Utility Banking Group
Fax number: (502) 423-5688

If to the Company, as follows:
Ben Lomand Communications, Inc.
311 North Chancery Street, Suite A
McMinnville, TN 37111
ATTN: General Manager
Fax number: (931) 668-6686

(E) **Costs, Expenses, and Taxes.** To the extent allowed by Law, the Company agrees to pay all reasonable out-of-pocket costs and expenses (including the fees and expenses of counsel retained by CoBank) incurred by CoBank in connection with the origination, administration, collection and enforcement of this Agreement and the other Loan Documents, including, without limitation, all costs and expenses incurred in obtaining, perfecting, maintaining, determining the priority of, and releasing any security for the Company's obligations to CoBank, and any stamp, intangible, transfer or like tax incurred in connection with this Agreement or any other Loan Document or the recording hereof or thereof.

(F) **Effectiveness and Severability.** This Agreement shall continue in effect until: (1) all indebtedness and obligations of the Company under this Agreement and the other Loan Documents shall have been paid or satisfied; (2) CoBank has no commitment to extend credit to or for the account of the Company under any Supplement; and (3) either party sends written notice to the other party terminating this Agreement. Any provision of this Agreement or any other Loan Document which is prohibited or unenforceable in any jurisdiction shall be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof or thereof.

(G) **Successors and Assigns.** This Agreement and the other Loan Documents shall be binding upon and inure to the benefit of the Company and CoBank and their respective successors and assigns, except that the Company may not assign or transfer its rights or obligations under this Agreement or the other Loan Documents without the prior written consent of CoBank.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their duly authorized officers as of the date shown above.

CoBANK, ACB

BEN LOMAND COMMUNICATIONS, INC.

By: *Clive Phillips*

By: _____

Title: *Vice Pres*

Title: _____

Loan No. ML0635T1

REVOLVING TERM LOAN SUPPLEMENT

THIS SUPPLEMENT to the Master Loan Agreement dated _____, 19__ (the "MLA"), is entered into as of _____, 19__ between BEN LOMAND COMMUNICATIONS, INC. (the "Company") and CoBANK, ACB ("CoBank").

SECTION 1. The Revolving Term Loan Commitment. On the terms and conditions set forth in the MLA and this Supplement, CoBank agrees to make loans to the Company during the period set forth below in an aggregate principal amount not to exceed \$4,000,000 at any one time outstanding (the "Commitment"). Within the limits of the Commitment, the Company may borrow, repay and reborrow.

SECTION 2. Purpose. The purpose of the Commitment is to finance the construction of a telephone network to operate a competitive local exchange in the cities of McMinnville and Sparta, Tennessee and to fund the general corporate needs of the Company.

SECTION 3. Term. The term of the Commitment shall be from the date hereof, up to but not including December 31, 2000, or such later date as CoBank may, in its sole discretion, authorize in writing.

SECTION 4. Interest. The Company agrees to pay interest on the unpaid principal balance of each loan in accordance with one or more of the following interest rate options, as selected by the Company:

(A) **Variable Rate Option.** At a rate per annum equal at all times to the rate of interest established by CoBank on the first Business Day of each week. The rate established by CoBank may not exceed CoBank's "National Variable Rate" (as hereinafter defined) on that day and shall be effective until the first Business Day of the next week. Each change in the rate shall be applicable to all balances subject to this option and information about the then current rate shall be made available upon telephonic request. For purposes hereof, the "National Variable Rate" shall mean the rate of interest established by CoBank from time to time as its National Variable Rate, which Rate is intended by CoBank to be a reference rate and not its lowest rate. The National Variable Rate will change on the date established by CoBank as the effective date of any change therein and CoBank agrees to notify the Company promptly after any such change.

(B) **Quoted Fixed Rate Option.** At a fixed rate per annum to be quoted by CoBank in its sole discretion in each instance. Under this option, rates may be fixed on such balances and for such periods as may be agreeable to CoBank in its sole discretion in each instance.

(C) **LIBOR Option.** At a fixed rate equal to "LIBOR" (as hereinafter defined) plus 1.50% per annum. Under this option: (a) rates may be fixed for "Interest Periods" (as hereinafter defined) of 1, 2, 3, 6 or 12 months, as selected by the Company; (b) the minimum amount that may be fixed at any one time shall be \$100,000.00; and (c) rates may only be fixed on a "Banking Day" (as hereinafter defined) or, at the option of the Company, on 2 Banking Days' prior notice. For purposes hereof: (i) "LIBOR" shall mean the rate indicated by Telerate (rounded upward to the nearest thousandth) as having been quoted by the British Bankers Association at 11:00 a.m. London time on the date the Company elects to fix a rate under this option for the offering of U.S. dollar deposits in the London interbank market for the Interest

Period designated by the Company; (ii) "Banking Day" shall mean a day on which CoBank is open for business, dealings in U.S. dollar deposits are being carried out in the London interbank market, and banks are open for business in New York City and London, England; and (iii) "Interest Period" shall mean a period commencing on the day the Company elects to fix a rate under this option (or, at the option of the Company, two Banking Days later) and ending on the numerically corresponding day in the next calendar month or the month that is 2, 3, 6 or 12 months thereafter, as the case may be; provided, however, that: (x) in the event such ending day is not a Banking Day, such period shall be extended to the next Banking Day unless such next Banking Day falls in the next calendar month, in which case it shall end on the preceding Banking Day; and (y) if there is no numerically corresponding day in the month, then such period shall end on the last Banking Day in the relevant month.

The Company shall select the applicable rate option at the time it requests each loan hereunder and may, on any Business Day or, in the case of Subsection (C) hereof, any Banking Day, elect to convert balances bearing interest at the variable rate option to one of the fixed rate options. In addition, prior to the expiration of any fixed rate period, the Company may, subject to Section 12(A) of the MLA, convert any fixed rate balance to the variable rate option or refix the rate at a new rate to be established in accordance with the terms hereof. Upon the expiration of any fixed rate period, the Company may, subject to the terms hereof, elect to fix the rate for an additional period or convert the rate to the variable rate option. In the absence of any such election, interest shall automatically accrue at the variable rate option. All elections provided for herein shall be made telephonically or in writing and must be received by 12:00 Noon Company's local time. Interest shall be calculated on the actual number of days each loan is outstanding on the basis of a year consisting of 360 days and shall be payable monthly in arrears by the 20th day of the following month.

SECTION 5. Fees.

(A) **Loan Origination Fee.** In consideration of the Commitment, the Company agrees to pay to CoBank on the execution hereof, a loan origination fee in the amount of \$20,000.

(B) **Commitment Fee.** In consideration of the Commitment, the Company agrees to pay to CoBank a commitment fee on the average daily unused portion of the Commitment at the rate of 1/4 of 1% per annum (calculated on a 360 day basis), payable quarterly in arrears by the 20th day of each January, April, July, and October. Such fee shall be payable for each quarter (or portion thereof) occurring during the original or any extended term of the Commitment.

SECTION 5. Repayment. The loans shall be repaid in 32 equal, consecutive, quarterly installments, payable on the 20th day of each January, April, July and October, with the first installment due on January 20, 2001 and the last installment due on October 20, 2008. If any installment due date is not a Business Day, then such installment shall be due and payable on the next Business Day.

SECTION 6. Prepayment. Subject to Subsection 12(A) of the MLA, the Company may, on one CoBank Business Day's prior written notice prepay all or any portion of the loans. Unless otherwise agreed, all prepayments will be applied to principal installments in the inverse order of their maturity and to such balances, fixed or variable, as CoBank shall specify.

SECTION 7. Security. In addition to the security set forth in the MLA, the Company's obligations hereunder and, to the extent related hereto, the MLA, shall be secured by a first priority lien (subject only to exceptions approved in writing by CoBank) on all personal property of the Company,

whether now existing or hereafter acquired. The Company agrees to take such steps, including the execution of such instruments and documents, as CoBank may require to enable CoBank to obtain, perfect and maintain a lien on such property.

IN WITNESS WHEREOF, the parties have caused this Supplement to the MLA to be executed by their duly authorized officers as of the date shown above.

CoBANK, ACB

BEN LOMAND COMMUNICATIONS, INC.

By: Clair Phillips

By: _____

Title: Vice Pres

Title: _____

PROMISSORY NOTE

No. ML0635T1

BEN LOMAND COMMUNICATIONS, INC.
McMinnville, Tennessee

\$4,000,000

Dated: _____, 19__

FOR VALUE RECEIVED, the undersigned promises to pay to **CoBANK, ACB** ("Payee") or its order, at the time(s) set forth in that certain "Supplement" to the "Master Loan Agreement" (both as defined below), the principal sum of **FOUR MILLION DOLLARS (\$4,000,000)** or, if less, the aggregate unpaid principal balance of all loans made by the Payee to the undersigned under the Supplement. The undersigned also promises to pay to Payee or its order interest on the unpaid principal balance hereof at the rates and at the times provided for in the Supplement and the Master Loan Agreement. For purposes hereof, the term: (1) "Supplement" shall mean that certain Supplement dated _____, 19__ and numbered ML0635T1 to the Master Loan Agreement, as such Supplement may be amended or restated from time to time; and (2) "Master Loan Agreement" shall mean that certain Master Loan Agreement dated _____, 19__ and numbered ML0635, as that agreement may be amended or restated from time to time.

This note is given for one or more loans to be made by the Payee to the undersigned pursuant to the Supplement and the Master Loan Agreement, all of the terms and provisions of which (including provisions regarding acceleration) are hereby incorporated by reference. CoBank shall keep a record of all loans, the interest accrued thereon, and all payments made with respect thereto, and such record shall, absent proof of manifest error, be conclusive evidence of the outstanding principal and interest on the loans.

The makers or endorsers hereof hereby waive presentment for payment, demand, protest, and notice of dishonor and nonpayment of this note, and all defenses on the ground of delay or of any extension of time for the payment hereof which may be hereafter given by the holder or holders hereof to them or either of them or to anyone who has assumed the payment of this note, and it is specifically agreed that the obligations of said makers or endorsers shall not be in anywise affected or altered to the prejudice of the holder or holders hereof by reason of the assumption of payment of the same by any other person or entity.

Except to the extent governed by applicable federal law, this note shall be governed by and construed in accordance with the laws of the State of Colorado, without reference to choice of law doctrine.

BEN LOMAND COMMUNICATIONS, INC.

By: _____

Title: _____

**CoBANK, ACB
SECURITY AGREEMENT**

This Security Agreement is executed and delivered by Ben Lomand Communications, Inc. (the "Debtor"), having its place of business (or chief executive office if more than one place of business) located at 311 North Chancery Street, Suite A, McMinnville, Tennessee 37111 and whose taxpayer identification number is 62-1544724, to the CoBank, ACB (the "Secured Party"), whose mailing address is 5500 South Quebec Street, Englewood, Colorado 80111.

SECTION 1. GRANT OF SECURITY INTEREST. For valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Debtor hereby grants to the Secured Party a security interest in all of the following property, wherever located and whether now existing or hereafter acquired, together with all accessions and additions thereto, and all products and proceeds thereof:

accounts; inventory (including without limitation, returned or repossessed goods); chattel paper; instruments, investment property (including, without limitation, certificated and uncertificated securities, security entitlements, securities accounts, commodity contracts, and commodity accounts), letters of credit; documents; equipment; farm products; fixtures; general intangibles (including, without limitation, choses or things in action, litigation rights and resulting judgments, goodwill, patents, trademarks and other intellectual property, tax refunds, miscellaneous rights to payment, investments and other interests in entities not included in the definition of investment property (including, without limitation, all equities and patronage rights in all cooperatives and all interests in partnerships and joint ventures)), margin accounts, computer programs, invoices, books, records and other information relating to or arising out of the Debtor's business); and, to the extent not covered by the above, all other personal property of the Debtor of every type and description, including without limitation, interests or claims in or under any policy of insurance, tort claims, deposit accounts, money, and judgments (the "Collateral").

Where applicable, all terms used herein shall have the same meaning as set forth in the Uniform Commercial Code (the "UCC").

SECTION 2. THE OBLIGATIONS. The security interest granted hereunder shall secure the payment of all indebtedness and the performance of all obligations of the Debtor to the Secured Party of every type and description, whether now existing or hereafter arising, fixed or contingent, as primary obligor or as guarantor or surety, acquired directly or by assignment or otherwise, liquidated or unliquidated, regardless of how they arise or by what agreement or instrument they may be evidenced, including without limitation all loans, advances and other extensions of credit and all covenants, agreements, and provisions contained in all loan and other agreements between the parties (the "Obligations").

SECTION 3. REPRESENTATIONS, WARRANTIES AND COVENANTS. The Debtor represents, warrants and covenants as follows:

A. Title to Collateral. Except as permitted by any other written agreement between the parties, and except for any security interest in favor of the Secured Party, the Debtor has clear title to all Collateral free of all adverse claims, interests, liens, or encumbrances. Without the prior written consent of the Secured Party, the Debtor shall not create or permit the existence of any adverse claims, interests, liens, or other encumbrances against any of the Collateral. The Debtor shall provide prompt written notice to the Secured Party of any future adverse claims, interests, liens, or encumbrances against all Collateral, and shall defend diligently the Debtor's and the Secured Party's interests in all Collateral.

B. Validity of Security Agreement; Corporate Authority. This Security Agreement is the valid and binding obligation of the Debtor, enforceable in accordance with its terms. The Debtor has the corporate power to execute, deliver and carry out the terms and provisions of this Security Agreement and all related documents,

and has taken all necessary corporate action to authorize the execution, delivery and performance of this Security Agreement and all related documents.

C. Location of the Debtor. The Debtor's place of business (or chief executive office if more than one place of business) is located at the address shown above.

D. Location of Collateral. All equipment and inventory are now at the location or locations specified on Schedule A attached hereto and made a part hereof. All farm products and fixtures are now at the location or locations specified on Schedule B attached hereto and made a part hereof.

E. Name, Identity, and Corporate Structure. Except as otherwise disclosed to the Secured Party in writing, the Debtor has not within the past ten years changed its name, identity or corporate structure through incorporation, merger, consolidation, joint venture or otherwise.

F. Change in Name, Location of Collateral, Etc. Without giving at least thirty days' prior written notice to the Secured Party, the Debtor shall not change its name, identity or corporate structure, the location of its place of business (or chief executive office if more than one place of business), or the location of the Collateral.

G. Further Assurances. Upon the request of the Secured Party, the Debtor shall do all acts and things as the Secured Party may from time to time deem necessary or advisable to enable it to perfect, maintain, and continue the perfection and priority of the security interest of the Secured Party in the Collateral, or to facilitate the exercise by the Secured Party of any rights or remedies granted to the Secured Party hereunder or provided by law. Without limiting the foregoing, the Debtor agrees to execute, in form and substance satisfactory to the Secured Party, such financing statements, amendments thereto, supplemental agreements, assignments, notices of assignments, and other instruments and documents as the Secured Party may from time to time request. In addition, in the event the Collateral or any part thereof consists of instruments, documents, chattel paper, or money (whether or not proceeds of the Collateral), the Debtor shall, upon the request of the Secured Party, deliver possession thereof to the Secured Party (or to an agent of the Secured Party retained for that purpose), together with any appropriate endorsements and/or assignments. The Secured Party shall use reasonable care in the custody and preservation of such Collateral in its possession, but shall not be required to take any steps necessary to preserve rights against prior parties. All costs and expenses incurred by the Secured Party to establish, perfect, maintain, determine the priority of, or release the security interest granted hereunder (including the cost of all filings, recordings, and taxes thereon and the fees and expenses of any agent retained by Secured Party) shall become part of the Obligations secured hereby and be paid by the Debtor on demand.

H. Insurance. The Debtor shall maintain such property and casualty insurance with such insurance companies, in such amounts, and covering such risks, as are at all times satisfactory to the Secured Party. All such policies shall provide for loss payable clauses or endorsements in form and content acceptable to the Secured Party. Upon the request of the Secured Party, all policies (or such other proof of compliance with this Section as may be satisfactory to the Secured Party) shall be delivered to the Secured Party. The Debtor shall pay all insurance premiums when due. In the event of loss, damage, or injury to any insured Collateral, the Secured Party shall have full power to collect any and all insurance proceeds due under any of such policies, and may, at its option, apply such proceeds to the payment of any of the Obligations secured hereby, or may apply such proceeds to the repair or replacement of such Collateral.

I. Taxes, Levies, Etc. The Debtor has paid and shall continue to pay when due all taxes, levies, assessments, or other charges which may become an enforceable lien against the Collateral.

J. Disposition and Use of Collateral by the Debtor. Without the prior written consent of the Secured Party and provided the Debtor is not in default hereunder, the Debtor shall not at any time sell, transfer, lease, abandon, or otherwise dispose of any Collateral except in the ordinary course of its business. The Debtor shall not use any of the Collateral in any manner which violates any statute, regulation, ordinance, rule, decree, order, or insurance policy.

K. **Receivables.** The Debtor shall preserve, enforce, and collect all accounts, chattel paper, instruments, documents and general intangibles, whether now owned or hereafter acquired or arising (the "Receivables"), in a diligent fashion and, upon the request of the Secured Party, the Debtor shall execute an agreement in form and substance satisfactory to the Secured Party by which the Debtor shall direct all account debtors and obligors on instruments to make payment to a lock box deposit account under the exclusive control of the Secured Party.

L. **Condition of Collateral.** All tangible Collateral is now in good repair and condition and the Debtor shall at all times hereafter, at its own expense, maintain all such Collateral in good repair and condition.

M. **Condition of Books and Records.** The Debtor has maintained and shall maintain complete, accurate and up-to-date books, records, accounts, and other information relating to all Collateral in such form and in such detail as may be satisfactory to the Secured Party, and shall allow the Secured Party or its representatives at any reasonable time to examine and copy such books, records, accounts, and other information.

N. **Right of Inspection.** At all reasonable times upon the request of the Secured Party, the Debtor shall allow the Secured Party or its representatives to visit any of the Debtor's properties or locations so that the Secured Party or its representatives may confirm, inspect and appraise any of the Collateral.

SECTION 4. DEFAULT. The breach of any of the Obligations secured hereby, and/or the breach of any representation, warranty, covenant, or agreement contained in this Security Agreement, shall constitute default hereunder.

SECTION 5. RIGHTS AND REMEDIES. Upon the Debtor's default and at any time thereafter, the Secured Party may declare all Obligations to be immediately due and payable and may exercise any and all rights and remedies of the Secured Party in the enforcement of its security interest under the UCC, this Security Agreement, or any other applicable law. Without limiting the foregoing:

A. **Disposition of Collateral.** The Secured Party may sell, lease, or otherwise dispose of all or any part of the Collateral, in its then present condition or following any commercially reasonable preparation or processing thereof, whether by public or private sale or at any brokers' board, in lots or in bulk, for cash, on credit or otherwise, with or without representations or warranties, and upon such other terms as may be acceptable to the Secured Party, and the Secured Party may purchase at any public sale. At any time when advance notice of sale is required, the Debtor agrees that ten days' prior written notice shall be reasonable. In connection with the foregoing, the Secured Party may:

1. require the Debtor to assemble the Collateral and all records pertaining thereto and make such Collateral and records available to the Secured Party at a place to be designated by the Secured Party which is reasonably convenient to both parties;
2. enter the premises of the Debtor or premises under the Debtor's control and take possession of the Collateral;
3. without charge, use or occupy the premises of the Debtor or premises under the Debtor's control, including without limitation, warehouse and other storage facilities;
4. without charge, use any patent, trademark, tradename, or other intellectual property or technical process used by the Debtor in connection with any of the Collateral; and
5. rely conclusively upon the advice or instructions of any one or more brokers or other experts selected by the Secured Party to determine the method or manner of disposition of any of the Collateral and, in such event, any disposition of the Collateral by the Secured Party in accordance with such advice or instructions shall be deemed to be commercially reasonable.

B. **Collection of Receivables.** The Secured Party may, but shall not be obligated to, take all actions reasonable or necessary to preserve, enforce or collect the Receivables, including without limitation, the right to notify account debtors and obligors on instruments to make direct payment to the Secured Party, to permit any extension, compromise, or settlement of any of the Receivables for less than face value, or to sue on any Receivable, all without prior notice to the Debtor.

C. **Proceeds.** The Secured Party may collect and apply all proceeds of the Collateral, and may endorse the name of the Debtor in favor of the Secured Party on any and all checks, drafts, money orders, notes, acceptances, or other instruments of the same or a different nature, constituting, evidencing, or relating to the Collateral. The Secured Party may receive and open all mail addressed to the Debtor and remove therefrom any cash or non-cash items of payment constituting proceeds of the Collateral.

D. **Insurance Adjustments.** The Secured Party may adjust, settle, and cancel any and all insurance covering any Collateral, endorse the name of the Debtor on any and all checks or drafts drawn by any insurer, whether representing payment for a loss or a return of unearned premium, and execute any and all proofs of claim and other documents or instruments of every kind required by any insurer in connection with any payment by such insurer.

The net proceeds of any disposition of the Collateral may be applied by the Secured Party, after deducting its reasonable expenses incurred in such disposition, to the payment in whole or in part of the Obligations in such order as the Secured Party may elect. The enumeration of the foregoing rights and remedies is not intended to be exhaustive, and the exercise of any right and/or remedy shall not preclude the exercise of any other rights or remedies, all of which are cumulative and non-exclusive.

SECTION 6. OTHER PROVISIONS.

A. **Amendment, Modification, and Waiver.** Without the prior written consent of the Secured Party, no amendment, modification, or waiver of, or consent to any departure by the Debtor from, any provision hereunder shall be effective. Any such amendment, modification, waiver, or consent shall be effective only in the specific instance and for the specific purpose for which given. No delay or failure by the Secured Party to exercise any remedy hereunder shall be deemed a waiver thereof or of any other remedy hereunder. A waiver on any one occasion shall not be construed as a bar to or waiver of any remedy on any subsequent occasion.

B. **Costs and Attorney's Fees.** Except as prohibited by law, if at any time the Secured Party employs counsel in connection with the creation, perfection, preservation, or release of the Secured Party's security interest in the Collateral or the enforcement of any of the Secured Party's rights or remedies hereunder, all of the Secured Party's reasonable attorney's fees arising from such services and all expenses, costs, or charges relating thereto shall become part of the Obligations secured hereby and be paid by the Debtor on demand.

C. **No Obligation to Make Loans.** Nothing contained herein or in any financing statement or other document executed or filed in connection herewith shall be construed to obligate the Secured Party to make any loans or advances to the Debtor, whether pursuant to a commitment or otherwise.

D. **Revival of Obligations.** To the extent the Debtor or any third party makes a payment or payments to the Secured Party or the Secured Party enforces its security interest or exercises any right of setoff, and such payment or payments or the proceeds thereof are subsequently invalidated, declared to be fraudulent or preferential, set aside, and/or required to be repaid to a trustee, receiver, or any other party under any bankruptcy, insolvency or other law or in equity, then, to the extent of such recovery, the Obligations or any part thereof originally intended to be satisfied shall be revived and continued in full force and effect as if such payment or payments had not been made, or such enforcement or setoff had not occurred.

E. **Performance by the Secured Party.** In the event the Debtor shall at any time fail to pay or perform punctually any of its duties hereunder, the Secured Party may, at its option and without notice to or demand upon the Debtor, without obligation and without waiving or diminishing any of its other rights or remedies hereunder, fully perform or discharge any of such duties. All costs and expenses incurred by the Secured Party in connection

therewith, together with interest thereon at the Secured Party's National Variable Rate plus four percent per annum, shall become part of the Obligations secured hereby and be paid by the Debtor upon demand.

F. Indemnification, Etc. The Debtor hereby expressly indemnifies and holds the Secured Party harmless from any and all claims, causes of action, or other proceedings, and from any and all liability, loss, damage, and expense of every nature, arising by reason of the Secured Party's enforcement of its rights and remedies hereunder, or by reason of the Debtor's failure to comply with any environmental or other law or regulation. As to any action taken by the Secured Party hereunder, the Secured Party shall not be liable for any error of judgment or mistake of fact or law, absent gross negligence or willful misconduct on its part.

G. Power of Attorney. The Debtor hereby appoints the Secured Party or the Secured Party's designee as its attorney-in-fact, which appointment is irrevocable, durable, and coupled with an interest, with full power of substitution, in the name of the Debtor or in the name of the Secured Party, to take any action which the Debtor is obligated to perform hereunder or which the Secured Party may deem necessary or advisable to accomplish the purposes of this Security Agreement. In taking any action in accordance with this Section, the Secured Party shall not be deemed to be the agent of the Debtor. The powers conferred upon the Secured Party in this Section are solely to protect its interest in the Collateral and shall not impose any duty upon the Secured Party to exercise any such powers.

H. Continuing Effect. This Security Agreement, the Secured Party's security interest in the Collateral, and all other documents or instruments contemplated hereby shall continue in full force and effect until all of the Obligations have been satisfied in full, the Secured Party has no commitment to make any further advances to the Debtor, and the Debtor has sent a valid written demand to the Secured Party for termination of this Security Agreement.

I. Binding Effect. This Security Agreement shall be binding upon and inure to the benefit of the Debtor and the Secured Party and their respective successors and assigns.

J. Security Agreement as Financing Statement and Authorization to File Without Debtor's Signature. A photographic copy or other reproduction of this Security Agreement may be used as a financing statement. In addition, the Debtor agrees that CoBank may, to the extent permitted by applicable law, prepare and file financing statements, amendments thereto, and continuation statements without the signature of the Debtor and file any financing statement, amendment thereto or continuation statement electronically.

K. Governing Law. Subject to any applicable federal law, this Security Agreement shall be construed in accordance with and governed by the laws of the State of Colorado.

L. Notices. All notices, requests, demands, or other communications required or permitted hereunder shall be in writing and shall be deemed to have been given when sent by registered or certified mail, return receipt requested, addressed to the other party at the respective addresses given above, or to such other person or address as either party designates to the other in the manner herein prescribed.

M. Severability. The determination that any term or provision of this Security Agreement is unenforceable or invalid shall not affect the enforceability or validity of any other term or provision hereof.

IN WITNESS WHEREOF, the Debtor has executed this Security Agreement by its duly authorized officer as of the day and year shown below.

Date: _____

DEBTOR: BEN LOMAND COMMUNICATIONS, INC.

By: _____

Title: _____

SCHEDULE A

To Security Agreement Dated _____

Executed By **BEN LOMAND COMMUNICATIONS, INC.**
(Name of Debtor)

Set forth below are the present locations (by street, city, county, and state) of the Debtor's inventory and equipment.

SCHEDULE B

To Security Agreement Dated _____

Executed By BEN LOMAND COMMUNICATIONS, INC.

Set forth below are the present locations (by street, city, county, and state) of the Debtor's fixtures and farm products.

RETURN COPY TO: (Name and Mailing Address)

CoBank, ACB
5500 South Quebec Street
Englewood, CO 80111
ATTN: Trueanne Leszzak

STATE OF TENNESSEE
UNIFORM COMMERCIAL CODE - FINANCING STATEMENT
FORM UCC-1 TENN. (REV. 1/97)

1. Debtor (Last Name, First, Middle - if an individual) and Address
Ben Lomand Communications, Inc.
P.O. Box 638
McMinnville, TN 37111

SSN or Employer I.D. No.

62-1544724

SECURED PARTY INFORMATION

2. Secured Party and Address CoBank, ACB
P.O. Box 5110
Denver, CO 80217

SSN or Employer I.D. No.

84-1286705

3. Assignee of Secured Party (if any) and Address

SSN or Employer I.D. No.

ORIGINAL FINANCING STATEMENT

4. This Financing Statement covers the following types (or items) of property:
Attached hereto as Exhibit A and summarized below:

For valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Debtor hereby grants to the Secured Party a security interest in all of the following property, wherever located and whether now existing or hereafter acquired, together with all accessions and additions thereto, and all products and proceeds thereof: accounts, inventory, chattel paper, instruments, investment property, letters of credit, equipment, fixtures, and general intangibles, etc.

Maximum principal indebtedness for Tennessee recording tax purposes is \$

This Instrument Prepared By Trueanne Leszzak, CoBank, ACB

5. Check if this statement is filed without the Debtor's signature to perfect a security interest in collateral

- ☐ already subject to a security interest in another jurisdiction when it was brought into this state or when Debtor's location was changed to this state
☐ which is proceeds if the security interest in the original collateral was perfected

Check ☒ if covered: ☒ Proceeds of Collateral are also covered. ☒ Product of Collateral are also covered. No. of additional Sheets presented:

Filed with:

Ben Lomand Communications, Inc.

CoBank, ACB

By: _____

Signature(s) of Debtor(s)

By: Trueanne Leszzak

Signature(s) of Secured Party(ies)

(1) FILING OFFICER COPY - ALPHABETICAL

THE SPACE BELOW THIS LINE IS RESERVED FOR USE OF FILING OFFICER (DATE, TIME, NUMBER AND FILING OFFICE)

EXHIBIT A

For valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Debtor hereby grants to the Secured Party a security interest in all of the following property, wherever located and whether now existing or hereafter acquired, together with all accessions and additions thereto, and all products and proceeds thereof:

accounts; inventory (including without limitation, returned or repossessed goods); chattel paper; instruments, investment property (including, without limitation, certificated and uncertificated securities, security entitlements, securities accounts, commodity contracts, and commodity accounts), letters of credit; documents; equipment; farm products; fixtures; general intangibles (including, without limitation, choses or things in action, litigation rights and resulting judgments, goodwill, patents, trademarks and other intellectual property, tax refunds, miscellaneous rights to payment, investments and other interests in entities not included in the definition of investment property (including, without limitation, all equities and patronage rights in all cooperatives and all interests in partnerships and joint ventures)), margin accounts, computer programs, invoices, books, records and other information relating to or arising out of the Debtor's business); and, to the extent not covered by the above, all other personal property of the Debtor of every type and description, including without limitation, interests or claims in or under any policy of insurance, tort claims, deposit accounts, money, and judgments (the "Collateral").

above, all existing directions and/or delegations shall remain in full force and effect and shall be applicable to any Loan authorized herein.

RESOLVED FURTHER, that each of the Officers are hereby jointly and severally authorized to: (1) establish a Cash Investment Services Account at CoBank; (2) make such investments therein as any Officer shall deem proper; (3) direct by written or telephonic instructions or electronically, if the Borrower has agreed to use the System for such purpose, the disposition of the proceeds therein; (4) delegate to designated employees of the Company the authority set forth in (2) and (3) above; and (5) execute and deliver all documents and agreements necessary to carry out this authority.

RESOLVED FURTHER, that each of the Officers are hereby jointly and severally authorized and directed to do and/or cause to be done, from time to time, all things which may be necessary and/or proper for the carrying out of the terms of these Resolutions.

RESOLVED FURTHER, that all prior acts by the Officers or other employees or agents of the Borrower to accomplish the purposes of these Resolutions are hereby approved and ratified.

RESOLVED FURTHER, that any Officer of the Borrower is hereby authorized and directed to cast the ballot of the Borrower in any and all proceedings in which the Borrower is entitled to vote for the selection of a member of CoBank's Board of Directors or for any other purpose.

RESOLVED FURTHER, that these Resolutions shall remain in full force and effect until a certified copy of a duly adopted resolution effecting a revocation or amendment, as the case may be, shall have been received by CoBank. The authority hereby granted shall apply with equal force and effect to the successors in office of the Officers herein named.

RESOLVED FURTHER, that effective on the date when the Loan under these Resolutions becomes available, the following listed Resolutions are hereby revoked: _____
_____. No such revocation shall affect the validity of any action or actions made or taken in reliance on such resolution(s) prior to the effective date of revocation.

RESOLVED FURTHER, that the Secretary or any Assistant Secretary of the Borrower is hereby authorized and directed to certify to CoBank a copy of these Resolutions, the names and specimen signatures of the present Officers above referred to, and if and when any change is made in the personnel of any said Officers, the fact of such change and the name and specimen signatures of the new Officers. CoBank shall be entitled to rely on any such certification until a new certification is actually received by CoBank.

Also regarding CLEC, Mr. Knowles stated that Judy Kelsey had talked to Farmers Telephone for prices on operator services.

The next item on the agenda was adoption of a resolution to borrow up to \$4 million from CoBank and authorize the President or Vice President to execute documents necessary to facilitate the loan. Mr. Knowles asked Mr. Dempster to explain the resolution to the Board. Mr. Dempster then explained the basic purpose of said resolution and stated that the resolution precedes the actual loan documents. Mr. Knowles explained that the CoBank loan was dependent on Ben Lomand Rural Telephone Cooperative, Inc. guaranteeing the loan. He also pointed out that the CoBank loan would tie up BLC from borrowing any more money without CoBank's permission. There was discussion. Following discussion, motion was made by Robert W. Jones, seconded by Gerald Sitz, to adopt the resolution as presented, a copy of which is attached to the minutes of this meeting and incorporated into the minutes as fully as if copied into the minutes. Motion carried. Mr. Knowles stated that the loan had been approved by CoBank and that as soon as the documents have been signed that \$21,000 has to be sent in to CoBank.

Mr. Dempster brought up the possibility that the loan from CoBank might have to be approved by the Tennessee Regulatory Authority. There was discussion. Mr. Dempster also mentioned the possibility that approval might be necessary from RUS (formerly REA) in order for Ben Lomand Rural Telephone Cooperative, Inc. to guarantee BLC's loan with CoBank. There was additional discussion. Mr. Knowles indicated that he would discuss RUS approval with CoBank.

The next item on the agenda was to discuss changing the April Board Meeting date due to a conflict. Following discussion, motion was made by Ray Troop, seconded by Gerald Sitz, to change BLC's Board Meeting date to April 13 at 6 p.m. Motion carried.

The next item on the agenda was an update on the joint use discussions with McMinnville Electric System. Mr. Knowles reported that McMinnville Electric System had

AUDITED FINANCIAL STATEMENTS

BEN LOMAND COMMUNICATIONS, INC.
McMINNVILLE, TENNESSEE

September 30, 1998 and September 30, 1997

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James D. Haile, CPA
James A. Welch, CPA
M. Wayne Smith, CPA
Gentry B. Underhill, Jr., CPA
Stephen Boyd, CMA, CPA
Bridget Y. Betcher, Acct.
C. Scott Marlowe, Acct.
James E. Totherow, CPA, of counsel

TOTHEROW, HAILE & WELCH

TIN 62-0693408

Certified Public Accountants

P. O. Box 697
McMinnville, Tennessee 37111

Professional Building
111 West Court
McMinnville, TN 37110
Tel. (931) 473-3148
Fax. (931) 473-4342

INDEPENDENT AUDITORS' REPORT

Board of Directors
Ben Lomand Communications, Inc.
McMinnville, Tennessee

We have audited the accompanying balance sheets of Ben Lomand Communications, Inc. as of September 30, 1998 and September 30, 1997, and the related statements of operations and retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ben Lomand Communications, Inc. as of September 30, 1998 and September 30, 1997, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

Totherow, Haile & Welch
Certified Public Accountants

McMinnville, Tennessee
December 7, 1998

BALANCE

BEN LOMAND

September 30, 1998

	1998	1997
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash	\$ 320,623	\$439,974
Accounts receivable, less allowances of \$2,179 in 1998 and \$858 in 1997	661,017	234,678
Prepaid expenses	11,235	6,165
TOTAL CURRENT ASSETS	\$ 992,875	\$680,817
<u>PROPERTY AND EQUIPMENT</u>		
Land	\$ 67,473	\$ 67,473
Building	198,897	198,197
Furniture	11,825	10,432
Office equipment	27,640	21,232
	\$ 305,835	\$297,334
Less accumulated depreciation	16,998	4,824
TOTAL PROPERTY AND EQUIPMENT	\$ 288,837	\$292,510
<u>OTHER ASSETS</u>		
Organization costs, net of accumulated amortization of \$1,335 in 1998 and \$1,008 in 1997, respectively	300	627
	<u>\$1,282,012</u>	<u>\$973,954</u>

See the notes to the financial statements.

SHEETS

COMMUNICATIONS, INC.

and September 30, 1997

	1998	1997
<u>LIABILITIES AND CAPITAL</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable	\$ 367,787	\$298,826
Accrued payroll	14,128	15,447
Accrued payroll taxes	0	1,088
Accrued federal income taxes	66,495	43,250
Accrued Tennessee franchise and excise taxes	14,630	10,875
Other current liabilities	13,898	7,218
Current portion of capital lease obligation	<u>208,464</u>	<u>11,127</u>
TOTAL CURRENT LIABILITIES	\$ 685,402	\$387,831
<u>LONG-TERM DEBT - Note F</u>		
Capital lease obligation	0	208,464
<u>OTHER LIABILITIES - Note C</u>		
Deferred taxes	4,770	7,600
<u>CAPITAL</u>		
Common stock - \$100 stated value; 10,000 shares authorized and 2,500 shares outstanding	\$ 250,000	\$250,000
Retained earnings	<u>341,840</u>	<u>120,059</u>
TOTAL CAPITAL	\$ 591,840	\$370,059
	<u>\$1,282,012</u>	<u>\$973,954</u>

STATEMENT OF OPERATIONS AND RETAINED EARNINGS

BEN LOMAND COMMUNICATIONS, INC.

Years ended September 30, 1998 and 1997

	1998	1997
Operating revenue:		
Network access services revenue	\$2,757,702	\$2,503,340
Internet services revenue	20,359	33,100
Miscellaneous revenue	<u>277,093</u>	<u>431,441</u>
TOTAL OPERATING REVENUE	\$3,055,154	\$2,967,881
Operating expenses:		
Advertising	\$ 88,891	\$ 68,670
Consulting	5,521	3,446
Management fees	21,000	37,000
Network access charges	2,034,179	2,205,623
Professional fees	37,102	41,761
Bad debts	52,336	24,067
Office expense	15,118	10,747
Salaries and wages	91,206	61,968
Payroll taxes	8,263	6,200
Billing and collection	269,242	184,618
Travel	445	452
Other taxes	10,550	8,067
Depreciation and amortization	12,500	4,244
Insurance	28,893	11,413
Dues and subscriptions	537	324
Interest expense	12,873	6,681
Miscellaneous	<u>15,506</u>	<u>8,737</u>
TOTAL OPERATING EXPENSES	\$2,704,162	\$2,684,018
NET INCOME BEFORE TAXES	\$ 350,992	\$ 283,863
Taxes on income	<u>129,211</u>	<u>85,736</u>
NET INCOME	\$ 221,781	\$ 198,127
Retained earnings (deficit) at beginning of year	<u>120,059</u>	<u>(78,068)</u>
RETAINED EARNINGS AT END OF YEAR	<u>\$ 341,840</u>	<u>\$ 120,059</u>

See the notes to the financial statements.

STATEMENTS OF CASH FLOWS

BEN LOMAND COMMUNICATIONS, INC.

Years ended September 30, 1998 and 1997

	1998	1997
Cash flows from operating activities:		
Cash received from customers	\$2,576,479	\$2,941,012
Cash paid to suppliers and employees	(2,538,386)	(2,518,129)
Interest paid	(12,873)	(6,681)
Taxes paid	<u>(124,942)</u>	<u>(13,696)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ (99,722)	\$ 402,505
Cash flows from investing activities:		
Acquisition of property and equipment	<u>\$ (8,502)</u>	<u>\$ (295,456)</u>
NET CASH USED BY INVESTING ACTIVITIES	<u>\$ (8,502)</u>	<u>\$ (295,456)</u>
Cash flows from financing activities:		
Borrowings under capitalized lease	\$ 0	\$ 224,910
Principal payments on capital lease obligation	<u>(11,127)</u>	<u>(5,319)</u>
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	<u>\$ (11,127)</u>	<u>\$ 219,591</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ (119,351)	\$ 326,640
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>439,974</u>	<u>113,334</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 320,623</u></u>	<u><u>\$ 439,974</u></u>

STATEMENTS OF CASH FLOWS (CONT'D)

BEN LOMAND COMMUNICATIONS, INC.

Years ended September 30, 1998 and 1997

	1998	1997
Net income	\$ 221,781	\$198,127
Adjustments to reconcile net income to net cash used by operating activities:		
Depreciation and amortization	\$ 12,500	\$ 4,244
Deferred taxes on income	(2,830)	32,665
Decrease (Increase) in:		
Accounts receivable	(426,338)	(2,802)
Prepaid expenses	(5,069)	(3,699)
Increase (Decrease) in:		
Accounts payable	68,961	104,801
Accrued payroll	(1,319)	8,310
Accrued payroll taxes	(1,088)	(54)
Accrued federal income taxes	23,245	43,250
Accrued Tennessee franchise and excise taxes	3,755	10,445
Other current liabilities	<u>6,680</u>	<u>7,218</u>
TOTAL ADJUSTMENTS	<u>\$(321,503)</u>	<u>\$204,378</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u><u>\$ (99,722)</u></u>	<u><u>\$402,505</u></u>

See the notes to the financial statements.

NOTES TO FINANCIAL STATEMENTS

BEN LOMAND COMMUNICATIONS, INC.

September 30, 1998 and 1997

Note A - Ben Lomand Communications, Inc. was formed for the purpose of providing retail telephone services. The Company is a wholly-owned subsidiary of Ben Lomand Rural Telephone Cooperative, Inc. and provides services to customers in Warren County, Tennessee and surrounding counties. Ben Lomand Communications, Inc. has adopted the following accounting policies:

- (1) The Company prepares its financial statements using the accrual method of accounting.
- (2) The Company provides for depreciation on a straight-line basis at annual rates which will amortize the depreciable property over its estimated useful life. Organization costs are being amortized over five years.
- (3) For purposes of financial statement presentation, the Company considers all highly-liquid investments with a maturity of three months or less to be cash equivalents.
- (4) The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note B - The Company maintains its cash in a commercial bank located within its trade area. The Federal Deposit Insurance Corporation (FDIC) insures accounts up to \$100,000. A summary of the total insured and uninsured cash balance follows:

	<u>1998</u>	<u>1997</u>
Total cash	\$320,623	\$439,974
Portion insured by FDIC	<u>100,000</u>	<u>100,000</u>
Uninsured Cash Balance	<u>\$220,623</u>	<u>\$339,974</u>

Telecommunication services are provided to the Company customers on a credit basis in the ordinary course of business. Generally, the accounts receivable are unsecured.

NOTES TO FINANCIAL STATEMENTS (CONT'D)

BEN LOMAND COMMUNICATIONS, INC.

September 30, 1998 and 1997

Note C - Income taxes are accounted for using Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" (FAS 109). Under the provision of FAS 109, an entity recognizes deferred tax assets and liabilities for future tax consequences of events that have been previously recognized in the Company's financial statements or tax returns. The measurement of deferred tax assets and liabilities is based on provisions of the enacted tax law; the effects of future changes in tax laws or rates are not anticipated. Under FAS 109, measurement is computed using applicable current tax rates.

	<u>1998</u>	<u>1997</u>
Current income tax expense:		
Federal	\$105,116	\$43,250
State	21,265	9,821
Deferred income tax expense - Federal	<u>2,830</u>	<u>32,665</u>
	<u>\$129,211</u>	<u>\$85,736</u>

The deferred tax balance is primarily the result of differences using accelerated depreciation methods for tax purposes and net operating loss carryforwards.

	<u>1998</u>	<u>1997</u>
Deferred tax asset (liability)		
at beginning of year	\$ (7,600)	\$25,065
Less current year provision for deferred taxes on income	<u>2,830</u>	<u>32,665</u>
Deferred tax asset at end of year	<u>\$ (4,770)</u>	<u>\$ (7,600)</u>

Note D - The Company has a contract with an underlying carrier in which the carrier agrees to provide the Company access to their network. The Company has agreed to pay a minimum monthly charge of \$100,000. The contract will expire on April 15, 1999.

The Company has entered into contracts with two other inter-exchange carriers in which the Company has agreed to provide these carriers access to the network. The inter-exchange carriers have agreed to pay the Company a minimum monthly usage charge of \$15,000 and \$5,000, respectively.

NOTES TO FINANCIAL STATEMENTS (CONT'D)

BEN LOMAND COMMUNICATIONS, INC.

September 30, 1998 and 1997

Note E - Related Party Transactions

Ben Lomand Rural Telephone Cooperative, Inc. provides office space, personnel and administrative services to the Company. For years ending September 30, 1998 and September 30, 1997, annual fees for these services amounted to \$21,000 and \$37,000, respectively, and were included in accounts payable. Total accounts payable to Ben Lomand Rural Telephone Cooperative, Inc. for the years ended September 30, 1998 and September 30, 1997 was \$40,709 and \$85,709, respectively.

Note F - The Company acquired land and an office building under the provisions of a long-term lease. For financial reporting purposes, minimum lease payments relating to the property have been capitalized. The lease expires February, 1999. As of September 30, 1998, the leased property has a cost of \$224,910, accumulated amortization of \$5,309, and a net book value of \$219,601. Amortization of the leased property is included in depreciation expense.

The future minimum lease payments under capital lease and the net present value of the future minimum lease payments at September 30, 1998 are as follows:

Total minimum lease payments	\$214,000
Amount representing interest	<u>(5,536)</u>
Present value of net minimum lease payment	\$208,464
Current portion	<u>(208,464)</u>
Long-Term Capital Lease Obligation	<u>\$ 0</u>

Excerpt from BLC Business Plan

Revenues Business	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Local Service	177,209	420,323	421,788	421,788	421,788	421,788	421,788	421,788	421,788	421,788
Toll	170,755	405,014	406,426	406,426	406,426	406,426	406,426	406,426	406,426	406,426
Access	115,761	274,573	275,530	275,530	275,530	275,530	275,530	275,530	275,530	275,530
Subtotal	463,725	1,099,911	1,103,743	1,103,743	1,103,743	1,103,743	1,103,743	1,103,743	1,103,743	1,103,743
Residential										
Local Service	104,595	461,560	463,168	463,168	463,168	463,168	463,168	463,168	463,168	463,168
Toll	331,082	787,428	780,171	790,171	790,171	790,171	790,171	790,171	790,171	790,171
Access	242,030	574,072	576,072	576,072	576,072	576,072	576,072	576,072	576,072	576,072
Subtotal	768,607	1,823,059	1,829,411	1,829,411	1,829,411	1,829,411	1,829,411	1,829,411	1,829,411	1,829,411
Revenue Grand Total	1,232,332	2,922,970	2,933,154	2,933,154	2,933,154	2,933,154	2,933,154	2,933,154	2,933,154	2,933,154
Expenses										
Access	216,421	513,328	515,117	515,117	515,117	515,117	515,117	515,117	515,117	515,117
BLT Switching	52,290	124,027	124,459	124,459	124,459	124,459	124,459	124,459	124,459	124,459
BLT Billing & Collection	72,746	172,547	173,148	173,148	173,148	173,148	173,148	173,148	173,148	173,148
Installation	181,500	16,500	-	-	-	-	-	-	-	-
DS3 Switch Ports	8,274	13,354	13,354	13,354	13,354	13,354	13,354	13,354	13,354	13,354
DS3 Transport	25,176	24,192	24,192	24,192	24,192	24,192	24,192	24,192	24,192	24,192
Pole Line: McMinville	19,691	42,480	42,480	42,480	42,480	42,480	42,480	42,480	42,480	42,480
Pole Line: Sparta	5,000	9,600	9,600	9,600	9,600	9,600	9,600	9,600	9,600	9,600
Mail Store	12,600	12,600	12,600	12,600	12,600	12,600	12,600	12,600	12,600	12,600
Personnel	102,700	110,240	115,440	125,840	128,440	131,378	133,956	137,134	139,922	143,086
Automobile Leases	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000
Promotion	160,000	-	-	-	-	-	-	-	-	-
Commission	63,266	5,751	-	-	-	-	-	-	-	-
OSP Maintenance	22,688	53,813	54,000	54,000	54,000	54,000	54,000	54,000	54,000	54,000
CO & T Maintenance	17,491	41,486	96,062	96,062	96,062	96,062	96,062	96,062	96,062	96,062
Uncollectible Revenue	308,400	526,081	526,081	526,081	526,081	526,081	526,081	526,081	526,081	526,081
Depreciation										
Expense Grand Total	1,275,243	1,672,000	1,754,164	1,764,564	1,767,164	1,728,115	1,709,735	1,569,804	1,475,548	1,478,711
Gross Margin	(42,910)	1,250,970	1,178,990	1,168,590	1,165,990	1,205,039	1,223,419	1,363,350	1,457,607	1,454,443
Interest Expense	224,141	215,288	205,747	195,465	184,385	172,445	159,578	145,712	130,770	114,668
Net Operating Income	(267,052)	1,035,682	973,243	973,125	981,605	1,032,594	1,063,841	1,217,638	1,326,837	1,339,776
Cumulative NOI	(267,052)	768,630	1,741,873	2,714,998	3,696,603	4,729,197	5,793,038	7,010,676	8,337,513	9,677,288
Federal Tax	(90,798)	352,132	330,903	330,862	333,746	351,082	361,706	413,997	451,124	455,524
State Tax	4,213	62,141	58,395	58,387	58,896	61,956	63,830	73,058	79,610	80,387
Net Income	(180,467)	621,409	583,946	583,875	588,963	619,556	638,304	730,583	796,102	803,865

PURPOSE OF LOAN PROCEEDS

The proceeds of both the loan from CoBank, ACB, and any additional capital stock sold will be used for the specific purpose of constructing a state of the art network for use by consumers in the cities of McMinnville and Sparta, Tennessee. The construction would require the installation of fiber optics, remote switching equipment and loops extending from the remotes to customers' premises.

Initial estimates projected installing approximately 10 miles of fiber optics at a cost of \$14,000/mile. More recent projection predict 20-25 miles of fiber optics being installed that will allow a redundant OC-3 fiber ring being installed in each of the cities. Remote switching and transmission equipment would be used to connect distribution facilities to the host switching center. Each remote has a capacity of 240 access lines and a cost of \$30,000-\$35,000 each, not including the central office terminal cost. Construction cost also include building the local loops that will connect the remote switching centers to customer premises. The estimated loop cost is projected at \$1,300 per loop, although this total cost is influenced by several factors such as make ready cost, right-of-way clearing, length of loops and density of customers served within each remote area. Engineering estimates predict the need to install approximately 135.64 miles of cooper cable, 25 miles of fiber optic and 17 remotes for both the Sparta and McMinnville projects.

The cost estimates for the following are shown in the aggregate sum for both Sparta and McMinnville:

Copper Outside Plant	
Copper Splicing & Cases	
Bonding/Grounding/Tagging	
Make Ready (lowered/raised)	
Make Ready (change outs)	
Pole Line (guys & anchors) expense	
Fiber Optic Cable	
Splicing-fiber	
Remote Digital Carrier Loop	
Cross Connect Boxes	
Drops & NID's	
Line Cards	
Total Engineering Estimates	\$4,491,098
Estimated Engineering cost	<u>539,651</u>
Total Projected Cost	<u>\$5,030,749</u>

Total cost will vary depending on customer penetration levels obtained. As penetration levels are increased, remote digital loop carrier cost will also increase. It is projected, the above cost will support approximately 3,600 access lines.